GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1078
ANSWERED ON:23.11.2007
SERVICE TAX ON PACKAGED TOURS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has reduced service tax levy on packaged tours by tour operators in the country as reported in The Economic Times dated August 24, 2007;

(b) if so, the details thereof;

(c) whether the Government has finalized the modalities to pass on such benefits to travellers;

(d) if so, the details in this regard; and

(e) if not, the time by when the modalities would be finalized and implemented?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) and (b): Services provided by a tour operator in relation to a tour, including a package tour is leviable to service tax [section 65(105)(n) of the Finance Act, 1994]. A service provider who provides a package tour has the option to pay service tax at the applicable rate, vide notification No.1/2006-Service Tax, dated 01.03.06, on 40% of the gross amount charged for the tour after availing an abatement of 60%, provided credit of duties paid is not availed of under the CENVAT credit scheme. Taking into account the representation received and the material facts, the level of abatement was increased from 60% to 75% vide notification No.38/2007-Service Tax, dated 23.08.07.

(c): Value of services provided depends upon number of factors including service tax payable and is determined by the market forces.

(d) and (e): Does not arise in view of (c) above.